

Message Text

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PAGE 01 JIDDA 07648 071341Z
ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-07
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15
USIA-06 AID-05 EB-08 TRSE-00 STR-05 OMB-01 CEA-01
COME-00 FRB-03 XMB-02 OPIC-03 LAB-04 SIL-01 /090 W
-----113816 071519Z /53

R 071315Z NOV 77
FM AMEMBASSY JIDDA
TO SECSTATE WASHDC 113
INFO AMCONSUL DHAHRAN

C O N F I D E N T I A L JIDDA 7648

E.O. 11652: GDS
TAGS: ECRP, EFIN, ENRG, ETRD, SA
SUBJECT: SAG BUDGET AND ACTUAL EXPENDITURES

REF JIDDA 6492

1. ACCORDING TO WELL-PLACED MINISTRY OF FINANCE SOURCE (ASSISTANT DEPUTY MINISTER FOR BUDGET), SAG BUDGET EXPENDITURES FOR FISCAL YEAR ENDING LAST JUNE WERE ONLY ABOUT 80 PERCENT OF AUTHORIZED \$31.5 BILLION, BUT ACTUAL OVERALL SAG EXPENDITURES WERE "WELL OVER 90 PERCENT" OF BUDGET FIGURE. DIFFERENCE, HE SAID, WAS DUE TO "SPECIAL PROJECTS" SUPPLEMENTAL BUDGET ON WHICH HE WOULD GIVE NO DETAILS. HE DID SAY, HOWEVER, THAT SPECIAL BUDGET WAS NOT FOR MILITARY PROCUREMENT. NOR DID HE RULE OUT FOREIGN AID PAYMENTS AS AT LEAST AN ELEMENT OF SPECIAL BUDGET.

2. NON-MILITARY MINISTRIES, ACCORDING TO OUR SOURCE, SPENT AT LEVELS CONSIDERABLY BELOW OVERALL 80 PERCENT EXPENDITURE RATE; HE NOTED THAT MINISTRY OF HEALTH, FOR EXAMPLE, WAS ABLE TO SPEND ONLY 20 PERCENT OF ITS APPROPRIATION. (MINISTRY OF PLANNING OFFICIALS HAVE CONFIRMED CONTINUING LOW PROJECT SPENDING LEVELS BY CIVILIAN MINISTRIES, BUT HAVE GIVEN US
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PAGE 02 JIDDA 07648 071341Z

NO EXPENDITURE FIGURES.) MINISTRY OF FINANCE IS NOW ABLE TO TRACK DISBURSEMENTS BY COMPUTER, OUR SOURCE ADDED (HE RAPIDLY SHOWED UP COPY OF PRINTOUT SHOWING VOUCHER APPROVALS BY MINISTRY AND BY PROJECT--INFORMATION WHICH MINISTRY OF PLANNING SAYS IT IS UNABLE TO GET FROM FINANCE). HE SAID LOW EXPENDITURE RATES COULD NOT BE ATTRIBUTED TO CARRYOVERS FROM EARLIER BUDGETS, AS SUCH

CARRYOVERS NOT PERMITTED EXCEPT FOR LIMITED ISBURSEMENTS
IN FIRST TWO MONTHS OF NEW FISCAL YEAR, AGAINST OBLIGA-
TIONS CREATED IN PRECEEDING YEAR.

3. COMMENT: WHEN RULING OUT MILITARY PROCUREMENT AS
REASON FOR SPECIAL SUPPLEMENTAL BUDGET, AND CLAIMING
THAT ALL MILITARY EQUIPMENT PURCHASES ARE FINANCED
WITHIN THE REGULAR STATE BUDGET, OUR SOURCE HELPED TO
CONFIRM OUR IMPRESSION THAT MINISTRY OF DEFENSE AND
AVIATION (MODA) HAS IN PAST MOPPED UP MUCH OF OTHERWISE
UNEXPENDED FUNDS BY ITS MAJOR EQUIPMENT PROCUREMENT
PROGRAMS. (MILITARY PROCUREMENT IS NOT VISIBLE AS A
LINE ITEM IN THE FEW BUDGET DOCUMENTS WE HAVE BEEN ABLE
TO SEE.) WITH BUDGET CEILING STILL IN PLACE FOR 1977-78,
AND IN VIEW OF INCREASING CAPACITY OF MOST CIVILIAN
MINISTRIES TO SPEND CURRENT-VALUE RIYALS, MODA'S
ABILITY TO TAP SUCH UNEXPENDED FUNDS THIS YEAR CAN
BE EXPECTED TO DIMINISH. IN VIEW OF THE CUTS IN SOME
CONSTRUCTION PROJECTS ALREADY FORCED ON MODA THROUGH
TIGHTER 1977-78 BUDGET (E.G., REDUCED APPROPRIATIONS
FOR A1 BATIN MILITARY CITY, RIYADH MILITARY ACADEMY,
AND MILITARY HOSPITAL PROJECTS), THE BUDGET SQUEEZE
MAY THEREFORE HIT MODA SOONER THAN MOST CIVILIAN
MINISTRIES.
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